

**State of Vermont**  
**Department of Public Service**  
112 State Street  
Drawer 20  
Montpelier, VT 05620-2601  
TEL: 802-828-2811

FAX: 802-828-2342  
TTY VT: 800-734-8390  
email: [vt dps@state.vt.us](mailto:vt dps@state.vt.us)  
<http://publicservice.vermont.gov/>

June 11, 2010

Susan M. Hudson, Clerk  
Vermont Public Service Board  
112 State Street  
Montpelier, VT 05620-2701

Re: Docket 7466 Comments of the Department of Public Service regarding Hearing Officer's "Report and Recommendation Re: Phase 2 Issues"

Dear Ms. Hudson:

On May 28, the Public Service Board ("Board") Hearing Officer in Docket 7466 filed a "Report and Recommendation Re: Phase 2 Issues." The Department of Public Service ("Department") offers the following comments on select portions of the Recommendation.

*Threshold Amount of Additional Funding – Review of Goals, Performance Indicators, or Service Offerings*

The Hearing Officer identified a need for greater clarity in the Group A recommendation on this issue. Two clarifications appear to be necessary.

First, upon further review, it appears Group A incorrectly characterized the current agreement between the Department and VEIC regarding the process currently used if additional funds are acquired by the EEU that are less than 5% of the relevant (electric or unregulated fuel) budget. Group A characterized the current practice as a formulaic adjustment if external funding were less than 5% of the relevant budget. While the contract addresses formulaic adjustments to the goals, it doesn't specify any threshold. According to Program Implementation Procedure ("PIP") 79 (attached to these comments):

"If the total amount of the external funding is less than 5% of EVT's portion of either the URF or EEC annual budget for the year in which the new external



funding would begin, modification of the EVT contract shall not be required and the external funding need not be included in Board approved EVT budgets” (Page 1-2).

This procedure was agreed to by the Department, EVT, and the Contract Administrator in part to facilitate operations in the context of the current contract – and the somewhat unwieldy contract amendment process. Under an Order of Appointment, the Board would have the flexibility to adjust performance goals formulaically without the complex administrative process associated with a contract amendment. Thus, the Department recommends that the Group A suggestion of adjusting small (defined as under 5%) increases in budget formulaically be adopted. This will allow goals to be appropriately modified in light of changes in funding.<sup>1</sup> The formula to be used should be developed as part of the Demand Resource Plan.

The Department also recommends that, similarly, if a small *decrease* in funding were to occur, a formulaic adjustment in goals should be applied. This situation could occur, for instance, if estimates of revenues for the Forward Capacity Market or the Regional Greenhouse Gas Initiative were incorrect (requiring a change in the heating-and process-fuels budget). A decrease in funding should not adversely impact an EEU’s ability to reach its goals through no fault of its own, and a small decrease would likely not constitute adequate cause for renegotiating performance goals. As recommended by Group A and by the Hearing Officer, no party should be prohibited from requesting that the Board examine whether performance goals should be adjusted using a different methodology.

Second, these adjustments should apply when Efficiency Vermont secures funding to be used for services or initiatives substantially-similar to its current operations. If the funding is for services and initiatives that are substantially different than the scope of work already agreed to under the appointment, modification of the goals should not be required. In this instance, modification of the Appointment should be considered on a case by case basis.

#### *Assignment of Contract Administrator’s Functions*

The Hearing Officer recommends that the EEU should not be required to inform the Board of: 1) substantive changes to IT systems; 2) new or changes to PIPs (with the exception of PIPs that address cost allocation between electric efficiency and heating-and-process-fuel efficiency funds); or 3) changes to an EEU’s Confidential Management System. The Department agrees with the Hearing Officer’s recommendation, and proposes that an EEU should continue to inform the Department of such changes. The

---

<sup>1</sup> The Department’s recommendation does not specifically address the process by which parties would be informed of such formulaic changes in goals. Group A and the Hearing Officer recommended that the EEU inform the Board of unanticipated funding. The Department suggests one possibility is that when the EEU informs parties of unanticipated funding, it also informs parties how the funding formulaically affects performance goals (if at all). A more specific process, if necessary, could be described in the “Comprehensive Document” being developed by parties in this Docket.

Department also supports the Hearing Officer's recommendation "that the review and approval process for changes to an EEU's [Service Quality and Reliability Plan ("SQRP")] should be the same as the process for changes to an electric utility's SQRP." (Page 18)

The Hearing Officer also recommended that "the Board direct appropriate Board staff to engage in administrative discussions outside of this Docket" (page 19) to address in more detail the process for invoice approval. The Board has significant experience with the current method of invoice approval, and the Department suggests it would be valuable to have Board staff participate in such discussions. While the Department supports the Hearing Officer's recommendation, the Department draws attention to the fact that invoice approval may be closely tied to the structure of compensation for some EEU's. It will be important for decisions made in the administrative discussions to remain focused on the administrative issues and not spill over into issues related to the compensation of an EEU. That issue will appropriately be addressed in the Phase II Issue resolution track in the form of development of the "Comprehensive Structure" and "Initial Appointment" documents.

#### *EEU's role with Respect to Geographically Targeted Programs*

The Hearing Officer adopted Group B's recommendation, and also recommended that "the Board clarify that if an EEU were no longer to provide geographic targeting services, an electric utility would once again be responsible for planning and delivering energy efficiency services as part of distributed utility planning." (Page 23) The Department supports this clarification.

The Hearing Officer also noted that it was likely "that the evaluation results will address whether geographically targeted programs should continue." (Page 22) The Department takes this opportunity to clarify that the "broad goal for the multi-faceted evaluation is to provide a 'proof of concept' to understand what intensive energy efficiency efforts can deliver in a targeted area, the speed with which energy efficiency savings can be attained, and the cost to achieve such savings."<sup>2</sup> The evaluation itself will likely not provide a definitive answer as to whether geographically targeted programs should continue. Rather, it will inform that decision, which can be made as part of the Demand Resource Plan proceeding. The Department will issue a Request for Proposals for assistance in the evaluation of geotargeting services once the pending evaluation plan is approved by the Board.

#### *EEU's Consideration of Electro-technologies*

The Department supports the Hearing Officer's recommendation to allow an EEU to consider electro-technologies, and to determine the appropriate funding source for such projects through traditional mechanisms such as PIPs or the Technical Advisory Group. The Hearing Officer notes that "consideration of electro-technologies by an EEU is a new

---

<sup>2</sup> Department of Public Service "Evaluation Plan for the Geographically Targeted Energy Efficiency Programs in Vermont." Filed with the PSB May 11, 2010.

development that will begin with the first Order(s) of Appointment” (page 30). However, the Department points out that Efficiency Vermont has considered electro-technologies in its current provision of services and thus it is not a new development. For example, it is the Department’s understanding that an EEU could and has provided incentives for an efficient ground source heat pump relative to the standard ground source heat pump – savings electricity for ratepayers. With Unregulated Fuels funding, there is potential for an EEU to provide incentives for a customer to switch from a fossil fuel based system to a ground source heat pump. Currently, the EEU has no restriction on providing such incentives. However, as noted by the Hearing Officer, it is appropriate to address whether an EEU should use electric efficiency funds or monies earmarked for heating and process-fuel efficiency to fund these projects.

The Department supports the remainder of the Hearing Officer’s recommendations. Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read 'Walter Poor', followed by a long horizontal flourish.

Walter (TJ) Poor  
Energy Program Specialist  
Department of Public Service  
802-828-0544